

**REPORT OF THE AUDIT OF THE
EDMONSON COUNTY
CLERK**

**For The Year Ended
December 31, 2007**

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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE EDMONSON COUNTY CLERK

**For The Year Ended
December 31, 2007**

Douglas R. Wise & Company PSC has completed the Edmonson County Clerk's audit for the year ended December 31, 2007. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$36,863 from the prior year, resulting in excess fees of \$68,313 as of December 31, 2007. Revenues increased by \$205,177 from the prior year and expenditures increased by \$168,314.

Report Comment:

- The County Clerk Should Eliminate Deficit Of \$550 In His 2007 Fee Account By Depositing Election Commission And Board Of Assessment Receipts Of \$550 To Official Fee Account
- The County Clerk's Office Lacks Adequate Segregation of Duties

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities.

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS	3
NOTES TO FINANCIAL STATEMENT.....	6
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS	8
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	11
COMMENTS AND RECOMMENDATIONS	15



The Honorable N. E. Reed, Edmonson County Judge/Executive
The Honorable Larry Carroll, Edmonson County Clerk
Members of the Edmonson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Edmonson County, Kentucky, for the year ended December 31, 2007. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2007, in conformity with the regulatory basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the financial statement referred to in the first paragraph. The schedule of excess of liabilities over assets is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated in all material respects in relation to the financial statement taken as a whole.

The Honorable N. E. Reed, Edmonson County Judge/Executive
The Honorable Larry Carroll, Edmonson County Clerk
Members of the Edmonson County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated September 23, 2008 on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The County Clerk Should Eliminate Deficit Of \$550 In His 2007 Fee Account By Depositing Election Commission And Board Of Assessment Receipts Of \$550 To Official Fee Account
- The County Clerk's Office Lacks Adequate Segregation of Duties

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Edmonson County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Douglas R. Wise & Company PSC". The signature is written in a cursive, flowing style.

Douglas R. Wise & Company, PSC

September 23, 2008

EDMONSON COUNTY
LARRY CARROLL, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2007

Revenues

State Fees For Services	\$	4,316
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Fiscal Court		5,410
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	403,022
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Usage Tax		471,089
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Tangible Personal Property Tax		835,187
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Other-

Fish and Game Licenses		7,914
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Affordable Housing Trust		23,297
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Deed Transfer Tax		33,140
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Delinquent Tax	217,235	1,990,884
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Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts		9,370
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Real Estate Mortgages		27,048
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Chattel Mortgages and Financing Statements		38,562
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Powers of Attorney		1,474
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All Other Recordings		24,271
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Charges for Other Services-

Candidate Filing Fees		150
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Copywork		2,639
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Postage	737	104,251
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Interest Earned		1,593
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Total Revenues		2,106,454
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The accompanying notes are an integral part of this financial statement.

EDMONSON COUNTY
 LARRY CARROLL, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2007
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	266,354	
Usage Tax		456,895	
Tangible Personal Property Tax		327,783	
Licenses, Taxes, and Fees-			
Fish and Game Licenses		7,503	
Delinquent Tax		28,617	
Legal Process Tax		16,390	
Affordable Housing Trust		23,297	\$ 1,126,839

Payments to Fiscal Court:

Tangible Personal Property Tax	99,605	
Delinquent Tax	29,683	
Deed Transfer Tax	30,488	159,776

Payments to Other Districts:

Tangible Personal Property Tax	374,224	
Delinquent Tax	104,205	478,429

Payments to Sheriff 2,343

Payments to County Attorney 31,915

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries 82,915

Employee Benefits-

Employer's Share Social Security 9,408

Employer's Share Retirement 18,521

Employer's Paid Health Insurance 8,955

Contracted Services-

Accounting Services 1,632

Computer Technical Support 3,055

Printing and Binding 13,148

The accompanying notes are an integral part of this financial statement.

EDMONSON COUNTY
 LARRY CARROLL, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2007
 (Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Materials and Supplies-			
Tax Bill Preparation	\$	2,544	
Election Supplies		76	
Office Supplies		4,408	
Other Charges-			
Conventions and Travel		2,441	
Dues		350	
Postage		3,168	
Refunds		194	
Cleaning		1,800	
Telephone Expense		1,420	
Miscellaneous		219	\$ 154,254
Capital Outlay-			
Office Equipment		6,291	
Total Expenditures			<u>\$ 1,959,847</u>
Net Revenues			146,607
Less: Statutory Maximum			<u>71,118</u>
Excess Fees			75,489
Less: Expense Allowance	\$	3,600	
Training Incentive Benefit		<u>3,576</u>	<u>7,176</u>
Excess Fees Due County for 2007			68,313
Payments to Fiscal Court - March 7, 2008			<u>67,763</u>
Balance Due Fiscal Court at Completion of Audit			<u><u>\$ 550</u></u>

The accompanying notes are an integral part of this financial statement.

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2007

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2007 services
- Reimbursements for 2007 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2007

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2007
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent for the first six months and 16.17 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

LOGAN COUNTY
LARRY CARROLL, COUNTY CLERK
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS

December 31, 2007

Assets

Cash in Bank	\$ 140,283
Deposits in Transit	7,033
Collected Receivables	461

Total Assets	<u>147,777</u>
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Liabilities

Paid Obligations:	
Outstanding Liabilities	\$ 147,777

Unpaid Obligations:	
Excess Fees - 2007	<u>550</u>

Total Liabilities	<u>148,327</u>
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Total Fund Deficit as of December 31, 2007	<u><u>\$ (550)</u></u>
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



The Honorable N. E. Reed, Edmonson County Judge/Executive
The Honorable Larry Carroll, Edmonson County Clerk
Members of the Edmonson County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Edmonson County Clerk for the year ended December 31, 2007, and have issued our report thereon dated September 23, 2008. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Edmonson County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Edmonson County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Edmonson County Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting.

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

We consider the deficiency described in the accompanying comments and recommendations to be a significant deficiency in internal control over financial reporting.

- The County Clerk's Office Lacks Adequate Segregation of Duties

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Edmonson County Clerk's financial statement for the year ended December 31, 2007, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The County Clerk Should Eliminate Deficit Of \$550 In His 2007 Fee Account By Depositing Election Commission And Board Of Assessment Receipts Of \$550 To Official Fee Account

The Edmonson County Clerk's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the County Clerk's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Edmonson County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Douglas R. Wise & Company PSC". The signature is written in a cursive, flowing style.

Douglas R. Wise & Company, PSC

September 23, 2008

COMMENTS AND RECOMMENDATIONS

EDMONSON COUNTY
LARRY CARROLL, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2007

STATE LAWS AND REGULATIONS:

The County Clerk Should Eliminate Deficit Of \$550 In His 2007 Fee Account By Depositing Election Commission And Board Of Assessment Receipts Of \$550 To Official Fee Account

Based upon available records, there was a \$550 deficit in the County Clerk's official fee account for calendar year 2007. During calendar year 2007, the County Clerk did not deposit \$450 and \$100, respectively, of election commission and board of assessment receipts to the official fee account as required by KRS 117.035. We recommend that the County Clerk eliminate the deficit of \$550 with a deposit of personal funds. In the future, we recommend all election commission and board of assessment receipts be deposited to the official fee account and all expenditures be for allowable items.

County Clerk's Response: Litigation is pending.

INTERNAL CONTROL – SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS

The County Clerk's Office Lacks Adequate Segregation of Duties

During our review of internal control, we found that the Clerk's office has made progress from prior year in addressing a lack of adequate segregation of duties. Due to the entity's diversity of official operations, small size, and budget restrictions, the Clerk had limited options for establishing an adequate segregation of duties.

No compensating controls were noted to offset the control deficiencies. Therefore, the control deficiencies are significant deficiencies and material weaknesses. We recommend the County Clerk implement the compensating controls noted below to offset these internal control weaknesses.

- The Clerk should periodically compare the daily bank deposit to the daily checkout sheet and then compare the daily checkout sheet to the receipts ledger. Any differences should be reconciled. The Clerk should document this review by initialing and dating the bank deposit, daily checkout sheet, and receipts ledger.
- The Clerk should compare the quarterly financial report to receipts and disbursements ledgers for accuracy. Any differences should be reconciled. The Clerk should document this review by initialing the quarterly financial report.
- The Clerk should periodically compare invoices to payments. The Clerk should document this review by initialing the invoices.

EDMONSON COUNTY
LARRY CARROLL, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2007
(Continued)

INTERNAL CONTROL – SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS
(CONTINUED)

The County Clerk's Office Lacks Adequate Segregation of Duties (Continued)

- The Clerk should periodically compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. The Clerk should document this review by initialing and dating the bank reconciliation and the balance in the checkbook.

County Clerk's Response: Now compliant.

